

JEFFERSON COUNTY PUBLIC SCHOOLS

Jefferson County Board of Education
For the Fiscal Year Ended June 30, 2002

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Jefferson County Board of Education


June 30, 2002

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Independent Auditors' Report



Members of the Board
Jefferson County Board of Education
Louisville, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jefferson County Board of Education (the "Board") as of and for the year ended June 30, 2002, which collectively comprise the Board's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the financial statements, in fiscal year 2002, the Board adopted Governmental Accounting Standards Board ("GASB") Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related standards.

Management's Discussion and Analysis on pages 3 through 13 and the Budgetary Comparison Information on pages 42 through 49 are not a required part of the basic financial statements but are supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the Board's basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 6, 2003 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Stollman & Company PSC

Louisville, Kentucky
January 6, 2003

**JEFFERSON COUNTY BOARD OF EDUCATION
JEFFERSON COUNTY PUBLIC SCHOOLS**

**Management's Discussion and Analysis (MD&A) (Unaudited)
June 30, 2002**

INTRODUCTION

Our discussion and analysis of the Jefferson County Board of Education (the "Board" or the "District") financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2002. It should be read in conjunction with the Board's financial statements, which begin on page 14.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999; GASB Statement No. 37, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001, and; in GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

The District's sound financial positioning is attributed to prudent fiscal management and continued innovations to increase revenues, reduce costs, and improve monitoring of monies received. However, the weakening U.S. economy, changing national priorities, and lack of an approved budget from the legislature and governor for the Commonwealth of Kentucky mean that the District must transition to a very contingent financial model. Our current financial position remains strong and our budget for next year is solid and responsive to the changing economic realities.

- **Credit Rating** – In the past ten years, the District's credit rating has been maintained at an excellent level, reflecting the financial community's confidence in our fiscal policies and practices and our educational vision. The ratings by Moody's and S&Ps for our Tax Revenue Anticipation Notes (TRAN) have remained at the highest levels since the inception of the TRAN program in 1997. The bond ratings for our long-term debt have remained at their historically highest levels for more than 5 years. These ratings reduce our costs for issuing debt and enable us to generate more funds to build new schools and classrooms.
- **Budget** – The 2003 fiscal year is sound and designed to minimize the impact of stagnant state revenues on educational programs. Cutting and consolidating central office costs and reductions in the non-teaching workforce have streamlined the budget.

Continued

Management's Discussion and Analysis--Continued

Jefferson County Board of Education

June 30, 2002

On the District-wide financial statements, the assets of the District exceeded liabilities by \$164 million. The District's total net assets decreased by nearly \$30 million for the fiscal year ended June 30, 2002. The District's governmental funds financial statements reported combined ending fund balance of \$136 million, a decrease of approximately \$10 million from the prior year. Of this total, \$17 million is unreserved in the general fund.

Using This Annual Report

- Management's Discussion and Analysis (MD&A)
- District-wide financial statements, and Fund financial statements
- Notes to Financial Statements
- Required Supplementary Information (other than MD&A)

This annual report consists of a series of financial statements. The District-wide Statements—the Statement of Net Assets and the Statement of Activities (on pages 14-15) —provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 16, and for governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the District-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the District as a whole begins on page 14 with the District-wide Financial Statements. One of the most important questions raised about the District's finances is whether the District as a whole is better off or worse off as a result of the year's activities. The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector organizations. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets, the difference between assets and liabilities, as one way to measure the District's financial health. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of the District's capital assets (land, buildings, equipment, etc.) to assess the overall health of the District.

Continued

Jefferson County Board of Education

June 30, 2002

The District-wide financial statements are divided into two categories:

- **District activities:** Most of the District's basic services are reported here, including instruction, student support services, instructional staff support services, district administrative support services, school administrative support services, business support services, central office support, transportation, and plant operations and maintenance. Property taxes, occupational taxes, the Commonwealth's Support Education Excellence in Kentucky ("SEEK"), other Commonwealth support, and state and federal grants finance most of these activities.
- **Business-type activities:** If a fee is charged to students to help the District cover all or most of the cost of certain services it provides, those activities are considered to be business-type activities in most cases. School food services and tuition-based pre-school are the two activities considered as business-type activities in the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds begins on page 16, and provide detailed information about the most significant funds—not the District as a whole. Some funds are required to be established by State law and bond covenants. However, other funds are established, as needed, to help it control and manage money for particular purposes (such as Special Activities Funds) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (for example, grants received from the federal and state governments). The District's two kinds of funds, governmental and proprietary, use different accounting approaches. The District also uses fiduciary funds, which are separate funds from the governmental and proprietary funds described above. These funds are not included in the District-wide financial statements, but are described below.

Governmental funds: Most of the District's basic activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using accounting methods called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between the governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following the fund financial statements.

Proprietary funds: When the District charges students or parents for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and Statement of Activities. In fact, the District's enterprise funds are the same as the business-type activities we reported in the district-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Continued

Management's Discussion and Analysis--Continued

Jefferson **County Board of Education**

June 30, 2002

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the District. These funds are not reflected in the District-wide financial statements because the resources of these funds are not available to support the District's own activities or programs. The basis of accounting for fiduciary funds is similar to that of proprietary funds.

The District as a Whole

This is a summary of the District's net assets:

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 197,434,722	\$ 6,913,507	\$ 204,348,229
Capital assets, net of depreciation	421,683,486	33,065,445	454,748,931
Total Assets	619,118,208	39,978,952	659,097,160
Long-term liabilities	382,975,436	25,596,461	408,571,897
Other liabilities	71,723,852	1,574,894	73,298,746
Total Liabilities	454,699,288	27,171,355	481,870,643
Net Assets			
Invested in capital assets, net of related debt	28,489,323	6,270,584	34,759,907
Restricted	122,546,089		122,546,089
Unrestricted	13,383,508	6,537,013	19,920,521
Total Net Assets	\$ 164,418,920	\$ 12,807,597	\$ 177,226,517

Continued

Management's Discussion and Analysis--Continued

Jefferson County Board of Education

June 30, 2002

This is a summary of the District's changes in net assets:

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues			
Charges for service	\$ 252,727	\$ 14,505,788	\$ 14,758,515
Operating grants & contributions	106,182,881	20,437,467	126,620,348
General revenues			
Local taxes	323,591,217		323,591,217
State sources	294,833,338		294,833,338
Other	18,969,713	1,455,997	20,425,710
Total Revenues	743,829,876	36,399,252	780,229,128
Expenses			
School operation and administration	756,526,715		756,526,715
School food services		35,941,735	35,941,735
Other business-type activities		715,232	715,232
Interest on debt service	17,048,539	527,705	17,576,244
Total Expenses	773,575,254	37,184,672	810,759,926
Decrease in net assets	<u>\$ (29,745,378)</u>	<u>\$ (785,420)</u>	<u>\$ (30,530,798)</u>

Governmental Activities

These schedules compare the revenues and expenses for the current and previous year based on the fund financial statements:

<u>Revenues</u>	<u>2002</u>	<u>2001</u>	<u>Change</u>
Local Sources:			
Property Taxes	\$194,107,123	\$177,749,187	\$16,357,936
Occupational Taxes	91,585,827	89,975,510	1,610,317
Other Taxes	37,898,267	33,749,376	4,148,891
State Sources:			
SEEK Program	204,772,511	209,078,311	(4,305,800)
Other State Revenues	87,351,114	84,076,086	3,275,028
KETS allocation	2,709,713	2,885,710	(175,997)
KSFCC allocation	6,156,524	4,835,461	1,321,063
Grants (principally federal and state)	100,026,357	91,110,097	8,916,260
Interest	4,593,289	11,855,509	(7,262,220)
Other Sources	14,629,151	12,616,683	2,012,468
Total Revenues	<u>\$743,829,876</u>	<u>\$717,931,930</u>	<u>\$25,897,946</u>

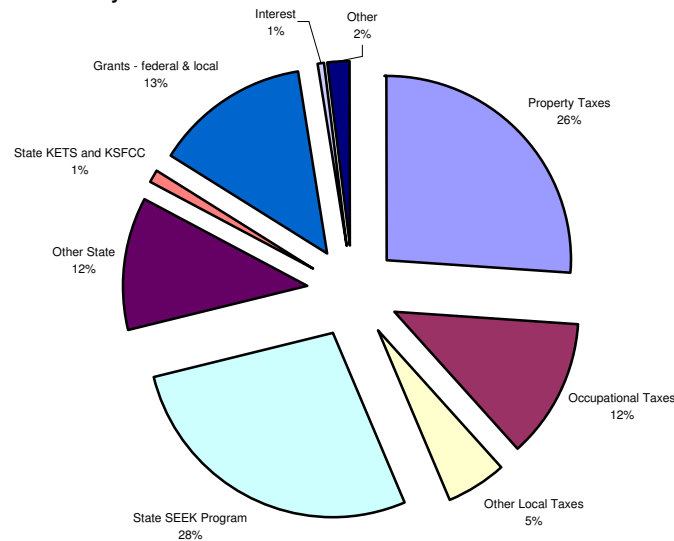
Management's Discussion and Analysis--Continued

Jefferson County Board of Education

June 30, 2002

<u>Expenditures</u>	<u>2002</u>	<u>2001</u>	<u>Change</u>
Instruction	\$448,030,856	\$376,156,649	\$71,874,208
Student support services	24,264,508	22,653,088	1,611,420
Instructional staff support services	45,330,934	37,437,986	7,892,948
District administrative support services	7,850,331	4,868,095	2,982,236
School administrative support services	47,157,980	42,885,064	4,272,916
Business support services	16,000,125	10,216,108	5,784,017
Central office support	29,788,179	78,353,650	(48,565,471)
Transportation	39,090,470	38,762,153	328,317
Plant operations and maintenance	97,786,355	111,812,038	(14,025,683)
Other instructional support services	674,207	583,312	90,895
Food service	347,698	116,103	231,595
Miscellaneous	205,072	1,954,282	(1,749,210)
Interest	17,048,539	14,597,219	2,451,320
<u>Total Expenditures</u>	<u>\$773,575,254</u>	<u>\$740,395,747</u>	<u>\$33,179,508</u>

This chart shows revenues by source:



The total taxable property valuation and property tax collections for the District increased again last fiscal year. A partial countywide reassessment of real property as of January 1, 2002 will result in another increase in total taxable valuations and real property tax collections for the fiscal year ending June 30, 2003.

Continued

Management's Discussion and Analysis--Continued

Jefferson County Board of Education

June 30, 2002

Local tax revenue continued its trend of a modest increase over the preceding year, principally in property taxes. These are the result of higher property valuations and growth in wages. Intergovernmental revenues from the Commonwealth are slightly smaller than the previous year, with a SEEK reduction of \$4.3 million partly offset by a \$3.2 million increase in other state support.

Business-type Activities

Revenue of the District's business-type activities increased nearly \$900,000, with over \$600,000 due to this year's inclusion of tuition-based pre-school as an enterprise fund. Supplies and materials expenditures increased by over \$6.5 million.

General Fund Budgetary Highlights

The District's Draft Budget is presented to the Board by January 31 each year, followed by a Tentative Budget by May 30, and, once the Board approves tax rates in September, the Working Budget is submitted to the Kentucky Department of Education by September 30. In the Commonwealth of Kentucky, districts are required to budget the prior year's fund balances in line items for both revenues and expenditures. Resources available were \$11 million less than the final budget amounts, due principally to \$9.4 million less in the SEEK program and other revenues from the Commonwealth of Kentucky.

Capital Assets and Debt Administration

Capital Projects

At the end of June 30, 2002, the District's investment in capital assets was \$419 million, representing a decrease of \$9 million, as shown in the following tables:

Governmental activities:	June 30, 2002	June 30, 2001	Percent Change
Land and improvements	\$ 34,706,512	\$ 34,592,801	0.3%
Buildings and improvements	606,925,699	567,715,159	6.9%
Technology	94,520,587	83,022,618	13.8%
Buses and vehicles	51,360,347	45,079,420	13.9%
Furniture, fixtures and other	14,525,313	11,649,938	24.7%
Total	802,038,458	742,059,936	8.1%
Less: accumulated depreciation	415,721,201	347,391,069	19.7%
Governmental assets, net of depreciation	<u>\$ 386,317,257</u>	<u>\$ 394,668,867</u>	-2.1%

Continued

Management's Discussion and Analysis--Continued

Jefferson County Board of Education

June 30, 2002

Business-type activities:	June 30, 2002	June 30, 2001	Percent Change
Buildings	\$ 38,074,102	\$ 36,032,942	5.7%
Computers	365,041	295,834	23.4%
Vehicles	972,468	972,468	0.0%
Equipment	18,616,179	18,210,964	2.2%
Total	58,027,790	55,512,208	4.5%
Less: accumulated depreciation	24,962,345	22,425,015	11.3%
Business-type assets, net of depreciation	<u>\$ 33,065,445</u>	<u>\$ 33,087,193</u>	-0.1%

The District renovates its facilities through a long-range facilities plan developed with community input and significant oversight by the Kentucky Department of Education. While the physical appearance and the maintenance of our schools have dramatically improved, resources are being identified to fund the remaining \$252 million in needs. The accomplishments to date have significantly improved the quality of our students' learning environment and have gone a long way into making the District a respected part of the community. Over the past ten years, nine new schools and six new annexes have been completed. As of June 30, 2002, the District is funding over \$33 million in major projects at 33 schools, including construction of one elementary school to replace an existing building. Bonds are regularly issued to finance many such projects.

Additional information on the District's capital assets can be found in Note E of this report.

Debt Service Fund

At year-end, the District had approximately \$381 million in outstanding debt, compared to \$357 million last year. The key factor in this increase was the issuance of \$40.625 million in revenue bonds recorded as of June 1, 2002. The District continues to maintain the highest debt ratings it has ever received.

Continued

Jefferson County Board of Education

June 30, 2002

LOCAL ECONOMIC OUTLOOK

Since 1990, Kentucky has made the largest jump of any state in the percentage of high school graduates in the 25-34 age group. For the first time, Kentucky—at 84.2%—has a higher percentage of people in this age group with a high school diploma than the national average of 83.9%. Kentucky's efforts toward statewide education reform at all levels, workforce development, and economic development are succeeding. In statewide accountability testing, the District's incremental results have exceeded the average of the Commonwealth's results as a whole.

The economic forecast for the Jefferson County area remains stable despite the current economic slowdown. The County generally is part of one of the most resilient regional economies in America. Inherent strength can be found in the balance among the educational, health and social services, manufacturing, professional services, retail trade, tourism, insurance, and transportation sectors.

Jefferson County's central location, extensive transportation network, and quality of life are factors in attracting and maintaining a healthy business community. The City's average unemployment rate increased slightly to 4.0 percent in 2001 from 3.6 percent in 2000.

According to the census results, Jefferson County's population decreased by 694 residents to 692,910 from 2000 to 2001, consistent with the trend of people moving out of large urban areas. Enrollment in the District's 152 schools has remained relatively stable for several years. The County had a record-breaking year in 2000 for both existing and new construction home sales, a trend that remained strong in 2001. The growth in new construction and home sales led to an increase in the assessed valuation.

Jefferson County has funded significant investment in infrastructure improvements to facilitate economic growth, including the renovation of the riverfront parks, and the newly merged Metro Louisville government is focusing on increasing the supply of affordable housing.

CONTACTING THE JEFFERSON COUNTY PUBLIC SCHOOLS MANAGEMENT

This financial report is designed to provide a general overview of the finances of the Jefferson County Public Schools and to show management's accountability for these funds. If you have questions about this report or need additional information, contact the Chief Financial Officer of the Jefferson County Board of Education, P. O. Box 34020, Louisville, KY 40232-3674.

Statement of Net Assets

Jefferson County Board of Education

June 30, 2002

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 62,481,266	\$ 6,013,474	\$ 68,494,740
Investments	55,043,903		55,043,903
Accounts and grants receivable from outside sources	32,743,032	1,835,406	34,578,438
Bond proceeds receivable	39,981,769		39,981,769
Inventory	4,124,014	1,424,220	5,548,234
Prepays and other assets	590,755	110,390	701,145
Capital assets, net of accumulated depreciation	386,317,257	33,065,445	419,382,702
Construction in progress	35,366,229		35,366,229
Internal balances	2,469,983	(2,469,983)	
Total Assets	619,118,208	39,978,952	659,097,160
Liabilities			
Accounts payable and accrued liabilities due to outside sources	49,046,687	376,494	49,423,181
Deferred revenue	8,795,861		8,795,861
Note payable, due within one year	99,704		99,704
School building revenue bonds			
Due within one year	13,781,600	1,198,400	14,980,000
Due in more than one year	340,798,539	25,596,461	366,395,000
Estimated liability for workers' compensation benefits	6,370,577		6,370,577
Accrued vacation pay	5,599,320		5,599,320
Accrued sick leave	30,207,000		30,207,000
Total Liabilities	454,699,288	27,171,355	481,870,643
Net Assets			
Invested in capital assets, net of related debt	28,489,323	6,270,584	34,759,907
Restricted for			
Grants, awards, and special revenues	23,572,503		23,572,503
Capital projects and construction	68,646,817		68,646,817
Other purposes	30,326,769		30,326,769
Unrestricted	13,383,508	6,537,013	19,920,521
Total Net Assets	\$ 164,418,920	\$ 12,807,597	\$ 177,226,517

See Notes to Financial Statements

Statement of Activities

Jefferson County Board of Education

Year Ended June 30, 2002

Functions/Programs	Total District-wide Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 448,030,856	\$ 252,727	\$ 100,026,357	\$ (347,751,772)
Student support services	24,264,508			(24,264,508)
Instructional staff support services	45,330,934			(45,330,934)
District administrative support services	7,850,331			(7,850,331)
School administrative support services	47,157,980			(47,157,980)
Business support services	16,000,125			(16,000,125)
Central office support	29,788,179			(29,788,179)
Transportation	39,090,470			(39,090,470)
Plant operations and maintenance	97,786,355		6,156,524	(91,629,831)
Other instructional support services	674,207			(674,207)
Food service	347,698			(347,698)
Miscellaneous	205,072			(205,072)
Interest expense	17,048,539			(17,048,539)
Total governmental activities	773,575,254	252,727	106,182,881	(667,139,645)
Business-type activities				
School food services	36,469,440	13,902,270	20,437,467	(2,129,703)
Tuition-based pre-school	715,232	603,518		(111,714)
Total business-type activities	37,184,672	14,505,788	20,437,467	(2,241,417)
Total Activities	<u>\$ 810,759,926</u>	<u>\$ 14,758,515</u>	<u>\$ 126,620,348</u>	<u>\$ (669,381,062)</u>
		Governmental Activities	Business-Type Activities	Total
Changes in net assets				
Net Expense		\$ (667,139,645)	\$ (2,241,417)	\$ (669,381,062)
General revenues				
Taxes				
Property taxes		194,107,123		194,107,123
Occupational taxes		91,585,827		91,585,827
Other taxes		37,898,267		37,898,267
State sources				
SEEK program		204,772,511		204,772,511
KETS allocation		2,709,713		2,709,713
Other state revenues		87,351,114		87,351,114
Interest and investment earnings		4,593,289	79,997	4,673,286
District support			1,376,000	1,376,000
Miscellaneous		14,376,424		14,376,424
Total general revenues		637,394,268	1,455,997	638,850,265
Change in net assets		(29,745,377)	(785,420)	(30,530,797)
Net assets, beginning of year		194,164,298	13,593,017	207,757,315
Net assets, end of year		<u>\$ 164,418,921</u>	<u>\$ 12,807,597</u>	<u>\$ 177,226,518</u>

See Notes to Financial Statements

Balance Sheet - Governmental Funds

Jefferson County Board of Education

June 30, 2002

	General Fund	Special Activities Fund	Grants & Awards Fund	Capital Projects Fund	Construction Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 1,588,752	\$ 7,534,431	\$ 12,705,302	\$ 10,153,416	\$ 25,475,260	\$ 5,024,104	\$ 62,481,265
Investments	42,484,000	4,144,944		4,560,040		3,854,919	55,043,903
Accounts and grants receivable from outside sources	19,680,464	1,850,970	9,896,483		430,378	861,010	32,719,305
Bond proceeds receivable				39,981,769			39,981,769
Inventories	4,124,014						4,124,014
Prepays and other assets	22,489			568,266			590,755
Due from other funds	45,822,920	5,202,633	11,642,389	75,000	1,294,925	3,232,213	67,270,080
Total Assets	\$ 113,722,639	\$ 18,732,978	\$ 34,244,174	\$ 55,338,491	\$ 27,200,563	\$ 12,972,246	\$ 262,211,091

Continued

Balance Sheet - Governmental Funds -- Continued

Jefferson County Board of Education

June 30, 2002

	General Fund	Special Activities Fund	Grants & Awards Fund	Capital Projects Fund	Construction Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Liabilities							
Accounts payable and accrued liabilities due to outside sources	\$ 46,747,659	\$ 526,843	\$ 330,426		\$ 268,680	\$ 1,173,079	\$ 49,046,687
Due to other funds	19,602,126	4,753,732	14,997,787	\$ 21,579,156	182,895	3,660,673	64,776,369
Deferred revenue			8,795,861				8,795,861
Estimated liability for workers' compensation benefits	3,662,577						3,662,577
Total Liabilities	70,012,362	5,280,575	24,124,074	21,579,156	451,575	4,833,752	126,281,494
Fund Balances							
Reserved for:							
Encumbrances	5,439,500				2,311,368	1,575,358	9,326,226
Inventories	4,124,014						4,124,014
State mandated reserve	17,300,000						17,300,000
Unreserved, designated for		13,452,403	10,120,100	33,759,335	24,437,620	6,563,136	88,332,594
Unreserved	16,846,763						16,846,763
Total Fund Balances	43,710,277	13,452,403	10,120,100	33,759,335	26,748,988	8,138,494	135,929,597
Total Liabilities and Fund Balances	<u>\$ 113,722,639</u>	<u>\$ 18,732,978</u>	<u>\$ 34,244,174</u>	<u>\$ 55,338,491</u>	<u>\$ 27,200,563</u>	<u>\$ 12,972,246</u>	<u>\$ 262,211,091</u>

Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities

Total Governmental Fund Balances	\$ 135,929,597
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	421,683,486
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported in the funds	(393,194,163)
Net Assets of Governmental Activities	<u>\$ 164,418,920</u>

See Notes to Financial Statements

Statement of Revenues, Expenditures and Changes in Fund Balances
- Governmental Funds

Jefferson County Board of Education

Year Ended June 30, 2002

	General Fund	Special Activities Fund	Grants & Awards Fund	Capital Projects Fund	Construction Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Local sources							
Property taxes	\$ 174,861,635					\$ 19,245,488	\$ 194,107,123
Occupational taxes	91,585,827						91,585,827
Other taxes	36,007,186					1,891,081	37,898,267
State sources							
SEEK program	196,686,441					8,086,070	204,772,511
Other state revenues	87,351,114					-	87,351,114
KETS allocation						1,750,814	1,750,814
KSFCC allocation				\$ 6,156,524			6,156,524
Grants (principally United States government and state agencies)	1,947,641	\$ 1,848,703	\$ 96,230,013				100,026,357
Interest	2,738,020	243,547	63,539	777,849	\$ 513,905	256,429	4,593,289
Other sources	5,506,999	4,637,921		497,231	4,945,899		15,588,050
Total Revenues	596,684,863	6,730,171	96,293,552	7,431,604	5,459,804	31,229,882	743,829,876
Expenditures							
Instruction	368,226,549	6,234,201	66,703,227				441,163,977
Student support services	22,899,677		1,364,831				24,264,508
Instructional staff support services	26,956,575		17,945,179				44,901,754
District administrative support services	7,675,879		67,157				7,743,036
School administrative support services	47,122,671		35,309				47,157,980
Business support services	11,401,712		4,598,413				16,000,125
Central office support	19,400,234	1,848,703	8,431,947				29,680,884
Transportation	34,743,341		2,415,819				37,159,160
Plant operations and maintenance	62,301,098		119,925				62,421,023
Other instructional support services	674,207						674,207
Food service	-		347,698				347,698
Capital outlay	1,334,814			29,535,957	9,166,332	7,870,563	47,907,666
Other	5,805		503	-	60,240		66,548
Debt service							
Principal						17,114,263	17,114,263
Interest						17,048,539	17,048,539
Total Expenditures	602,742,562	8,082,904	102,030,008	29,535,957	9,226,572	42,033,365	793,651,368

Continued

Statement of Revenues, Expenditures and Changes in Fund Balances
- Governmental Funds--Continued

Jefferson County Board of Education

Year Ended June 30, 2002

	General Fund	Special Activities Fund	Grants & Awards Fund	Capital Projects Fund	Construction Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues Less Than Expenditures	(6,057,699)	(1,352,733)	(5,736,456)	(22,104,353)	(3,766,768)	(10,803,483)	(49,821,492)
Other Financing Sources (Uses)							
Proceeds of school building revenue bonds, net of discount				75,720,000			75,720,000
Payment to refund bond escrow agent				(35,108,400)			(35,108,400)
Operating transfers in	2,594,000	9,735		-	5,348,539	38,555,481	46,507,755
Operating transfers out	(2,594,000)			(6,239,644)	(5,273,574)	(32,525,661)	(46,632,879)
Total Other Financing Sources (Uses)		9,735		34,371,956	74,965	6,029,820	40,486,476
Net Change in Fund Balances	(6,057,699)	(1,342,998)	(5,736,456)	12,267,603	(3,691,803)	(4,773,663)	(9,335,016)
Fund Balances, Beginning of Year	49,767,976	14,795,401	15,856,556	21,491,732	30,440,791	12,912,157	145,264,613
Fund Balances, End of Year	<u>\$ 43,710,277</u>	<u>\$ 13,452,403</u>	<u>\$ 10,120,100</u>	<u>\$ 33,759,335</u>	<u>\$ 26,748,988</u>	<u>\$ 8,138,494</u>	<u>\$ 135,929,597</u>

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities**

Net Change in Fund Balances - Total Governmental Funds \$ (9,335,016)

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. 5,478,263

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets 17,114,263

Bond proceeds received increase the long-term liabilities in the Statement of Net Assets and are not reported in the Statement of Activities. Governmental funds report these inflows as Other Financing Sources. (40,625,000)

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (2,377,888)

Change in Net Assets of Governmental Activities \$ (29,745,378)

See Notes to the Financial Statements

Statement of Net Assets - Proprietary Funds

Jefferson County Board of Education

June 30, 2002

	Enterprise Funds		
	School Food Services	Tuition Pre-School	Total
Assets			
Cash and cash equivalents	\$ 6,013,474		\$ 6,013,474
Accounts and grants receivable from outside sources	1,835,406		1,835,406
Inventory	1,424,220		1,424,220
Prepays and other assets	110,390		110,390
Property and equipment, net of accumulated depreciation	33,065,445		33,065,445
Due from other funds	3,670		3,670
Total Assets	42,452,605		42,452,605
Liabilities			
Accounts payable and accrued liabilities due to outside sources	376,494		376,494
Due to other funds	2,361,939	\$ 111,714	2,473,653
School building revenue bonds			
Due within one year	1,198,400		1,198,400
Due in more than one year	25,596,461		25,596,461
Total Liabilities	29,533,294	111,714	29,645,008
Net Assets			
Invested in capital assets, net of related debt	6,270,584		6,270,584
Unrestricted	6,648,727	(111,714)	6,537,013
Total Net Assets	\$ 12,919,311	\$ (111,714)	\$ 12,807,597

See Notes to Financial Statements

Statement of Revenues, Expenses and Changes in
Net Assets - Proprietary Funds

Jefferson County Board of Education

Year Ended June 30, 2002

	Enterprise Funds		
	School Food Services	Tuition Pre-School	Totals
Operating Revenues			
Lunchroom sales	\$ 13,902,270		\$ 13,902,270
Tuition		\$ 603,518	603,518
Total Operating Revenues	13,902,270	603,518	14,505,788
Operating Expenses			
Salaries and personnel services	12,661,643		12,661,643
Employee benefits	2,348,069		2,348,069
Purchased property services	287,713		287,713
Other purchased services	308,391		308,391
Supplies and materials	16,801,067	63,337	16,864,404
Property	966,740		966,740
Miscellaneous	6,641		6,641
Depreciation	2,537,330		2,537,330
Other	24,141		24,141
Instruction		554,116	554,116
Instructional support services		240	240
Business support services		23,737	23,737
Central office support services		73,802	73,802
Total Operating Expenses	35,941,735	715,232	36,656,967
Loss From Operations	(22,039,465)	(111,714)	(22,151,179)
Non-Operating Revenues			
Federal and state grants	18,624,699		18,624,699
Donated commodities	1,812,768		1,812,768
District support	1,376,000		1,376,000
Interest income	79,997		79,997
Interest expense	(527,705)		(527,705)
Total Non-Operating Revenues	21,365,759		21,365,759
Change in Net Assets	(673,706)	(111,714)	(785,420)
Net Assets, Beginning of Year	13,593,017		13,593,017
Net Assets, End of Year	\$ 12,919,311	\$ (111,714)	\$ 12,807,597

See Notes to Financial Statements

Statement of Cash Flows - Proprietary Funds

Jefferson County Board of Education

Year Ended June 30, 2002

	Enterprise Funds		
	School Food Services	Tuition Pre-School	Totals
Cash Flows From Operating Activities			
Cash received from customers	\$ 13,689,870	\$ 603,518	\$ 14,293,388
Interest received	79,997		79,997
Cash paid to suppliers	(15,524,176)	(106,376)	(15,630,552)
Cash paid to employees	(15,009,712)	(584,241)	(15,593,953)
Cash paid for internal services used		(23,737)	(23,737)
Other expenses	(30,782)	(878)	(31,660)
Net Cash Used In Operating Activities	(16,794,803)	(111,714)	(16,906,517)
Cash Flows From Capital and Related Financing Activities			
Additions to property and equipment	(2,515,582)		(2,515,582)
Decrease in amounts due from other funds	764,427	111,714	876,141
Decrease in amounts due to other funds	(1,613,124)		(1,613,124)
Interest paid	(527,705)		(527,705)
Payments of school building revenue bonds	(5,575)		(5,575)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(3,897,559)	111,714	(3,785,845)
Cash Flows from Noncapital Financing Activities			
Cash received for operational grants	18,624,699		18,624,699
Net Cash Provided By Noncapital Financing Activities	18,624,699		18,624,699
Decrease in Cash and Cash Equivalents	(2,067,663)		(2,067,663)
Cash and Cash Equivalents, Beginning of Year	8,081,137		8,081,137
Cash and Cash Equivalents, End of Year	\$ 6,013,474	\$ -	\$ 6,013,474

Continued

Statement of Cash Flows - Proprietary Funds--Continued

Jefferson County Board of Education

Year Ended June 30, 2002

	Enterprise Funds		
	School Food Services	Tuition Pre-School	Totals
Reconciliation of Operating Loss to Net Cash Used In Operations			
Loss from operations	\$ (22,039,465)	\$ (111,714)	\$ (22,151,179)
Adjustments to reconcile loss from operations to cash used in operating activities:			
Depreciation	2,537,330		2,537,330
Interest income	79,997		79,997
Increase in accounts and grants receivable	(212,400)		(212,400)
Decrease in inventory	760,866		760,866
Increase in accounts payable and accrued liabilities	376,494		376,494
Other	(110,393)		(110,393)
Net Cash Used in Operating Activities	<u>\$ (18,607,571)</u>	<u>\$ (111,714)</u>	<u>\$ (18,719,285)</u>

Summary of Noncash Noncapital Financing Activity

During the year, the Board received \$1,812,768 of food commodities from the United States Department of Agriculture.

See Notes to the Financial Statements

Statement of Net Assets - Fiduciary Funds and Statement of Changes in Net Assets - Fiduciary Funds

Jefferson County Board of Education

June 30, 2002

	Total Trust Funds	Total Agency Funds
Assets		
Cash and cash equivalents	\$ 105,191	\$ 6,359,566
Investments		57,227
Accounts and grants receivable from outside sources	5,750	53,060
Inventories		439,896
Due from other funds		432,597
Total Assets	<u>110,941</u>	<u>\$ 7,342,346</u>
Liabilities		
Accounts payable and accrued liabilities due to outside sources		\$ 568,756
Due to other funds		127,660
Due to student groups		6,645,930
Total Liabilities		<u>\$ 7,342,346</u>
Net Assets		
Held in trust for private purpose	<u>\$ 110,941</u>	

Statement of Changes in Fiduciary Net Assets

Additions	
Trustee contributions	\$ 37,771
Interest	1,487
Deductions	
Student support services	<u>23,727</u>
Net increase	15,531
Net Assets, Beginning of Year	<u>95,410</u>
Net Assets, End of Year	<u>\$ 110,941</u>

See Notes to Financial Statements

Notes to Financial Statements

Jefferson County Board of Education

June 30, 2002

Note A--Reporting Entity

The Jefferson County Board of Education (the "Board") is established under and governed by the Kentucky School Code and maintains a system of schools primarily for kindergarten through twelfth grade. The Board is a school district of the Commonwealth of Kentucky having boundaries coterminous with the boundaries of Jefferson County, excluding the City of Anchorage.

The accompanying financial statements include all funds and activities over which the Board exercises oversight responsibility, including the Jefferson County School District Finance Corporation (the "Corporation"), a non-stock, not-for-profit corporation. The Corporation was created to act as an agency in the acquisition and financing of any capital project which may be undertaken by the Board. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Accounts of the Corporation are included in the financial statements as a capital projects fund.

The Board is not includable as a component unit within another reporting entity. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

Note B--Summary of Significant Accounting Policies

The financial statements of the Board have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* ("GASB 34"). GASB 34 established new requirements for the annual financial reports of state and local governments, including school districts. It was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions, and requires the Board to present financial statements in a new format using full accrual accounting for all financial activities. It requires that all property and equipment of the Board be reflected in the District-wide financial statements and that depreciation expense be recognized on these assets. It also requires the inclusion of Management's Discussion and Analysis ("MD&A") to provide an analysis of the Board's overall financial position and results of operations. The Board adopted the provisions of GASB 34 and related standards this year.

The Board has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Board has further elected not to apply FASB pronouncements issued after November 30, 1989.

Continued

Jefferson County Board of Education

June 30, 2002

Note B--Summary of Significant Accounting Policies--Continued

The following is a summary of the significant accounting policies:

District-wide and Fund Financial Statements

The District-wide financial statements (the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. These statements report information on all the non-fiduciary activities of the District, except for the fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to students or parents who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Board allocates certain indirect costs to be included in the program expense reported for individual functions and activities in the District-wide Statement of Activities.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Each fund is a separate accounting entity with a self-balancing set of accounts. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible during the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims judgments, are recorded only when payment is due.

Continued

Jefferson County Board of Education

June 30, 2002

Note B--Summary of Significant Accounting Policies--Continued

Revenues susceptible to accrual are property taxes, interest revenue and charges for services. Occupational tax revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The Board reports deferred revenue on its District-wide Statement of Net Assets and fund financial statements. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Board before it has a legal claim to them, as when grant moneys are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Board has a legal claim to the resources, the liability for deferred revenue is removed from the District-wide Statement of Net Assets and fund financial statements, and revenue is recognized.

Funds are classified into three categories: governmental, proprietary and fiduciary.

The Board reports the following major governmental funds:

The General Fund is the Board's primary operating fund, which accounts for all of the activities of the general government not required to be accounted for in another fund. A large portion of the General Fund revenues are from the Support Education Excellence in Kentucky ("SEEK") program. This program began in 1990 as the result of the Kentucky Education Reform Act ("KERA"), and is basically the method by which state funding is obtained.

The Special Activities Fund is a Special Revenue Fund which receives funds from various sources such as bequests, donations, or transfers from other funds at the discretion of management. Such funds are restricted for use as stipulated by the donor or management.

The Grants and Awards Fund is another Special Revenue Fund which accounts for the activities of specific education related programs in accordance with restrictions established by the various grantors (primarily the United States Government and state and local governments). This includes certain KERA grants which carry grantor restrictions related to expenditures.

The Capital Projects Fund accounts for funds generated by bond issues as well as the Kentucky School Facilities Construction Commission's ("KSFCC") participation. Funds are used for various construction projects. This fund is used to account for financial resources provided by the Corporation, which are to be used for the construction and renovation of educational facilities.

The Construction Fund is another Capital Projects Fund which receives proceeds from the sale of properties and equipment owned by the Board. Such funds are to be used at the discretion of the Board to provide services in future years.

Continued

Jefferson County Board of Education

June 30, 2002

Note B--Summary of Significant Accounting Policies--Continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Board reports as a major proprietary fund the School and Community Nutrition Services ("Food") Program which provides certain food preparation at the Nutrition Center and serves breakfast and lunch at schools throughout the Board.

Fiduciary funds are used to account for assets held on behalf of outside parties or on behalf of other funds within the Board. This fund consists of trust funds for various scholarship programs administered by the Board on behalf of the third-party donors and agency funds held on behalf of student organizations and segregated among elementary schools, middle schools, and high schools.

Cash and Cash Equivalents-The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories--Supplies and materials are charged to expenditures when purchased. Inventories are valued at the lower of cost, using the first in, first out method, or market. The School Food Service Fund's inventory consists of food and supplies valued at cost, and U. S. Government commodities whose value is determined by the U. S. Department of Agriculture.

In the governmental funds balance sheet, reported inventories in the general fund are equally offset by a reserve which indicates that they do not constitute "available spendable resources" even though they are a component of total assets.

Capital Assets--Capital assets includes land, buildings, vehicles, office equipment, school equipment, and food service equipment, and are reported in the applicable governmental or business-type activities column in the District-wide financial statements. The Board maintains a record of the cost of its capital assets and those with a cost of \$1,000 or more are capitalized. Additions to capital assets and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the related assets. The Board has elected not to capitalize interest on debt used to finance improvements. Capital assets are depreciated over the assets' estimated useful life, as determined by the Kentucky Department of Education.

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2002

Note B--Summary of Significant Accounting Policies--Continued

	Estimated life (years)
Land improvements and infrastructure	20
Buildings	50
Building improvements	25
Carpet/tile	7
Technology equipment	5
School buses	10
Other Vehicles	5
Rolling stock	15
Food service equipment	12
Furniture and fixtures	20
Audio-visual equipment	15
Other general equipment	10

Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Balance--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Expenses which qualify for payment by either restricted or unrestricted assets are usually paid first using restricted assets.

Encumbrances--Encumbrances are reported as a reservation of fund balance and are not reported as expenditures until incurred. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are reappropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2002 in the governmental funds balance sheet.

Property Tax Revenues--Property taxes are levied each November on the assessed value listed as of the prior January 1 for all real and personal property in the County. The billings are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending 30 days after the tax bill mailing.

Budgetary Principles--The Superintendent must submit the proposed budget for specific funds other than school-based activity funds (Agency Funds) to members of the Board each year. The Board will then discuss and, where so desired, amend the proposed budget and will adopt a final budget by September 30 of each fiscal year. Any adjustments to the adopted budget must be approved by the Board. Unexpended appropriations are carried over into the subsequent year.

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2002

Note B--Summary of Significant Accounting Policies--Continued

Budget information is presented for the General Fund and specific other funds. This budgetary data is prepared on the modified accrual basis of accounting. Budgetary receipts represent original estimates modified for any adjustments authorized by the Board during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations approved during the fiscal year. Although budgets are prepared on a line-item basis by cost center for each department, expenditures may legally exceed budget in these areas but may not exceed the budget in total.

Interfund Receivables and Payables--Each fund is a fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the Board arise generally from two types of transactions: 1) all funds are initially received into the General Fund, thus a payable and receivable are established in the appropriate funds; and 2) payments are made in some instances from a fund that does not have the legal liability for the expenditure, thus a payable from the fund having the legal liability is established at such time. All interfund receivables and payables have been eliminated on the District-wide Statement of Net Assets.

	<u>Due to other funds reported in General Fund</u>
Special Activities Fund	\$ 5,202,633
Grants & Awards Fund	9,793,686
Capital Projects Fund	75,000
Construction Fund	1,294,925
Other Non-major Governmental Funds	3,232,213
School Food Services Enterprise Fund	<u>3,670</u>
	<u>\$ 19,602,127</u>
	<u>Due from other funds reported in General Fund</u>
Special Activities Fund	\$ 4,753,732
Grants & Awards Fund	14,997,787
Capital Projects Fund	21,579,156
Construction Fund	182,895
Other Non-major Governmental Funds	1,811,970
School Food Services Enterprise Fund	2,473,653
Trust & Agency	<u>23,727</u>
Continued	<u>\$ 45,822,920</u>

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2002

Note B--Summary of Significant Accounting Policies--Continued

Due to Grants & Awards, as reported in the Technology Fund	<u>\$ 1,848,703</u>
Due from Technology Fund, as reported in the Grants & Awards Fund	<u>\$ 1,848,703</u>

Reclassifications--Certain reclassifications have been made to the July 1, 2001 ending balances in order to conform with the requirements of GASB 34, as implemented as of July 1, 2001.

Note C--Deposits and Investments

Statutes authorize the Board to invest in the following:

- a. Obligations of the United States and of its agencies and instrumentalities, repurchase agreements, and specially approved AAA rated corporate bonds;
- b. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities;
- c. Any savings and loan association insured by an agency of the United States up to the amount insured;
- d. Interest bearing deposits in national and state banks chartered in Kentucky and insured by an agency of the United States up to the amount so insured, and in larger amounts providing such bank shall pledge as security obligations having a current quoted market value at least equal to any uninsured deposits.

The Board's deposits are maintained in six designated financial institutions. Deposits at all these financial institutions are entirely insured by federal depository insurance or by collateral held by the financial institutions in the Board's name.

The Board had approved depository bonds of \$22,000,000 at designated banks during the year ended June 30, 2002.

Investments consist of repurchase agreements, collateralized by U.S. Government securities, reported at their market value, which approximates their cost. The Board's investments are categorized to give an indication of credit risk assumed by the Board. These investments are either insured or securities are held by the pledging financial institution's trust department in the Board's name.

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2002

Note C--Deposits and Investments--Continued

Financial instruments which potentially subject the Board to concentrations of credit risk consist principally of temporary cash investments, taxes receivable and receivables from federal and state governments.

The Board's temporary cash investments can only be invested or deposited in accordance with the statutory requirements. Concentrations of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions.

Note D--Receivables

The Board recognizes revenues as receivable when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. While the Board receives revenues from many different sources throughout each year, the accounts and grants receivable from outside sources may be grouped into the following categories, (as stated in the District-wide financial statements):

	June 30, 2002
Accounts and grants receivable from outside sources	Balance
Accounts receivable	\$ 10,447,305
Taxes receivable	10,441,340
Grants receivable	11,747,453
Interest receivable	83,207
	<hr/>
	\$ 32,719,305
	<hr/>

Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

The following is the Board's property tax calendar:

<u>Date</u>	<u>Event</u>
January 1, year of levy	Assessment date
October 1, year of levy	Taxes levied
November 30, year of levy	2% discount allowed
December 31, year of levy	1% discount allowed
January 31, following year	Gross amount due
February 1, following year	Delinquent date, 1½ % interest added per month
April 1, following year	10% penalty added

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2002

Note D--Receivables--Continued

Unpaid property taxes attach as an enforceable lien on real property as of the delinquent date. The Jefferson County Clerk collects personal property tax on vehicles when registered. The Board continues to bill and to collect all property taxes on real estate and personal property taxes excluding vehicles. Board property tax revenues are recognized when levied to the extent that they result in current receivables.

Although the Board has taxes receivable from a variety of constituents, a substantial portion of the debtors' ability to honor this debt is dependent upon the widely diverse economic environment of the commonwealth and local area.

Note E--Capital Assets

Activity in capital assets during the year ended June 30, 2002 consisted of the following:

Governmental Activities

	Beginning Balance	Additions	Dispositions	Ending Balance
Land	\$ 34,592,801	\$ 113,711		\$ 34,706,512
Buildings	567,715,159	39,210,540		606,925,699
Technology	83,022,618	11,497,969		94,520,587
Vehicles	45,079,420	6,280,927		51,360,347
General	11,649,938	2,875,375		14,525,313
	742,059,936	59,978,522		802,038,458
Less accumulated depreciation	347,391,069	68,330,132		415,721,201
	<u>\$ 394,668,867</u>	<u>\$ (8,351,610)</u>	<u>\$ -</u>	<u>\$ 386,317,257</u>

Business-type Activities

	Beginning Balance	Additions	Dispositions	Ending Balance
Vehicles	\$ 972,468			\$ 972,468
Computers	295,834	\$ 69,207		365,041
Equipment	18,210,964	405,215		18,616,179
Buildings	36,032,942	2,041,160		38,074,102
	55,512,208	2,515,582		58,027,790
Less accumulated depreciation	22,425,015	2,537,330		24,962,345
	<u>\$ 33,087,193</u>	<u>\$ (21,748)</u>	<u>\$ -</u>	<u>\$ 33,065,445</u>

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2002

Note E--Capital Assets--Continued

Depreciation expense for business-type activities was entirely incurred in the operation of the Board's School Food Services. Depreciation for governmental activities is included in the following functional categories:

Instruction	\$ 43,731,285
Instructional Staff Support Services	2,733,205
Board Administrative Support Services	683,301
Plant Operations & Maintenance	8,199,616
Student Transportation	12,299,424
Central Office Support Services	683,301
	<u>\$ 68,330,132</u>

Note F--Revenue Anticipation Notes

Subsequent to June 24, 2002, the Board issued \$32,080,000 of Revenue Anticipation Notes (Series 2002 N) which mature on June 30, 2003 and bear interest at 2.15%.

Note G--Long-Term Obligations

School Building Revenue Bonds issued by the Board included the following:

1990 Series B, interest rates ranging from 7.10% to 7.15%, principal and interest payable semiannually on March 1 and September 1, with principal maturities through 2004	\$ 1,130,000
1993 Series A, interest rates ranging from 5.3% to 5.875%, principal and interest payable semiannually on January 1 and July 1, with principal maturities through 2013	2,850,000
1994 Series A, interest rates ranging from 4.7% to 4.875%, principal and interest payable semiannually on January 1 and July 1, with principal maturities through 2014	34,210,000
1994 Series B, interest rates ranging from 4.5% to 4.875%, principal and interest payable semiannually on March 1 and September 1, with principal maturities through 2009	4,875,000
1995 Series A, interest rates ranging from 5.25% to 5.3%, principal and interest payable semiannually on January 1 and July 1, with principal maturities through 2012	22,015,000

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2002

Note G--Long Term Obligations - Continued

1996 Series A, interest rates ranging from 5.0% to 5.125%, principal and interest payable semiannually on February 1 and August 1, with principal maturities through 2016	22,505,000
1996 Series B, interest rates ranging from 4.8% to 5.125%, principal and interest payable semiannually on May 1 and November 1, with principal maturities through 2017	19,100,000
1998 Series A, interest rates ranging from 4.10% to 5.0%, principal and interest payable semiannually on February 1 and August 1, with principal maturities through 2018	12,545,000
1998 Series B, interest rates ranging from 4.10% to 4.5%, principal and interest payable semiannually on February 1 and August 1, with principal maturities through 2011	14,475,000
1998 Series C, interest is fixed at 4.5%, principal and interest payable semiannually on February 1 and August 1, with principal maturities through 2019	48,510,000
1999 Series A, interest rates ranging from 5.0% to 5.25%, principal and interest payable semiannually on January 1 and July 1, with principal maturities through 2017	40,685,000
1999 Series B, interest rates ranging from 5.0% to 5.25%, principal and interest payable semiannually on June 1 and December 1, with principal maturities through 2017	16,795,000
2000 Series A, interest rates ranging from 5.125% to 5.25%, principal and interest payable semiannually on January 1 and July 1, with principal maturities through 2018	34,000,000
2001 Series QZAB, non-interest bearing and full bond liability due at maturity in September 2012	5,500,000
2001 Series A, interest rates ranging from 4.0% to 5.0%, principal and interest payable semiannually on April 1 and October 1, with principal maturities through 2021	15,515,000

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2002

Note G--Long-Term Obligations--Continued

2001 Series B, interest rates ranging from 4.25% to 4.5%, principal and interest payable semiannually on January 1 and July 1, with principal maturities through 2013	10,945,000
2002 Series A, interest rates ranging from 3.9% to 5.5%, principal and interest payable semiannually on January 1 and July 1, with Principal maturities through 2021	35,095,000
2002 Series B, interest rates ranging from 3.125% to 4.75%, interest Payable semiannually of June 1 and December 1, with principal maturities through 2021	<u>40,625,000</u>
	<u>\$381,375,000</u>

Bonds outstanding as of June 30, 2002 are reported in the accompanying Statement of Net Assets as follows:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Governmental activities	\$ 13,781,600	\$ 340,798,539	\$ 354,580,139
Business-type activities	<u>1,198,400</u>	<u>25,596,461</u>	<u>26,794,861</u>
	<u>\$ 14,980,000</u>	<u>\$ 366,395,000</u>	<u>\$ 381,375,000</u>

The School Building Revenue Bonds listed below are subject to redemption prior to their stated maturity dates at the option of the Board. The redemption prices include a premium of 1-3% of the outstanding principal amounts. The earliest allowable redemption dates for each Series are as follows:

1990 Series B	September 2001
1993 Series A	January 2003
1994 Series A	January 2004
1994 Series B	March 2004
1995 Series A	July 2005
1996 Series A	February 2006
1998 Series A	February 2008
1998 Series B	February 2008
1998 Series C	February 2009
1999 Series A	July 2009
1999 Series B	July 2009
2000 Series A	January 2010
2001 Series A	April 2011
2001 Series B	July 2011
2002 Series B	June 2013

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2002

Note G--Long-Term Obligations--Continued

In connection with most of the above listed bond issues, the Board has entered into participation agreements with the Kentucky School Facilities Construction Commission (the "Commission") which provides that the Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Approval has been received for the biennial fiscal period ended June 30, 2003. Should approval not be received in future periods, the Board remains obligated for the full amount of the bond principal and interest payments.

Assuming no issues are called prior to scheduled maturity and continued Commission participation, the minimum obligations of the Board at June 30, 2002 for debt service are as follows:

Year Ending June 30	Principal	Interest	Total Repayments	Less: Commission Participation	Net Repayments
2003	\$ 14,980,000	\$ 18,483,374	\$ 33,463,374	\$ 6,158,700	\$ 27,304,674
2004	15,730,000	17,706,281	33,436,281	6,155,704	27,280,577
2005	16,410,000	17,014,339	33,424,339	6,155,849	27,268,490
2006	17,120,000	16,296,090	33,416,090	6,155,813	27,260,277
2007	17,870,000	15,555,342	33,425,342	6,155,662	27,269,680
2008-2012	108,540,000	63,397,756	171,937,756	25,404,346	146,533,410
2013-2017	116,545,000	34,791,232	151,336,232	15,181,858	136,154,374
2018-2021	74,180,000	9,549,456	83,729,456	8,192,968	75,536,488
	<u>\$ 381,375,000</u>	<u>\$ 192,793,870</u>	<u>\$ 574,168,870</u>	<u>\$ 79,560,900</u>	<u>\$ 494,607,970</u>

The bonds payable are collateralized by the educational facilities constructed by the Board with bond proceeds.

The Board issued refunding bonds to defease certain outstanding bonds, for the purpose of consolidation and to achieve debt service savings. The proceeds were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the trust assets and liabilities for all defeased bonds are not included in the accompanying financial statements.

Although defeased, the funded debt will not be actually retired until the call dates have come due or until maturity if they are not callable issues. As of June 30, 2002, the outstanding principal amount of indebtedness that is considered to be extinguished under "in substance defeasance" and therefore excluded from the financial statements is as follows:

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2002

Note G--Long-Term Obligations--Continued

School Building Revenue Bonds, 1992 Series B	\$ 28,280,000
School Building Revenue Bonds, 1993 Series A	<u>10,385,000</u>
	<u>\$ 38,665,000</u>

Qualified Zone Academy Bond--On September 28, 2000, the Board issued \$5,500,000 in Special Obligations School Financing Bond Series of 2000 as a Qualified Zone Academy Bond ("QZAB") pursuant to Section 1297E of the Internal Revenue Code of 1986, to finance capital projects for public schools.

The Board makes semi-annual payments in the amount of \$132,640 to an escrow account at a local bank. Such payments received will be held in trust and invested at an interest rate of 5.0% in accordance with the funding agreement. The final annual principal payment is due September 28, 2012, at which time the QZAB will mature.

Estimated Liability for Workers' Compensation Benefits--The estimated liability for workers' compensation benefits consists of claim settlements for reported and outstanding claims and estimated claim settlements for incurred but not reported claims (based upon historical experience). This liability, along with certain related assets and liabilities, is accounted for within the Workers' Compensation Trust Fund, which is a self-insurance fund administered by the Board for the purpose of providing workers' compensation insurance to the employees of the Board.

Estimated claim settlements for incurred but not reported claims are discounted at 6% over the anticipated payment periods to reflect the time value of money.

The Board maintained reinsurance covering that portion of risks in excess of \$300,000 for any one occurrence and for aggregate losses in excess of approximately \$5.3 million for the year ended June 30, 2002. The limit is subject to audit by the Board's insurer. The Board remains liable to the extent that claims are less than the amount of reinsurance coverage or if the reinsuring company is unable to pay its portion of claims.

Accrued Vacation Pay and Sick Leave--In accordance with generally accepted governmental accounting and reporting principles, the Board has recorded accrued vacation pay and accrued sick leave as a liability in the District-wide Statement of Net Assets since the majority of these liabilities are not expected to be liquidated with expendable available financial resources. Accrued vacation pay, which may be accumulated for a period of up to two years, is payable upon termination of employment. Accrued sick leave, which has no maximum accumulation, is payable upon retirement at 30% of the value of accumulated sick leave.

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2002

Note G--Long-Term Obligations--Continued

A summary of the changes in the long-term liabilities during the fiscal year ended June 30, 2002 is as follows:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2002</u>
Governmental Activities:				
Note payable and other long-term debt	\$ 139,585		\$ (39,881)	\$ 99,704
School building revenue bonds	345,760,044	\$ 40,625,000	(31,804,905)	354,580,139
Estimated liability for workers' compensation benefits	6,517,018		(146,441)	6,370,577
Accrued vacation pay	5,399,589	5,282,068	(5,082,337)	5,599,320
Accrued sick leave	29,690,000	25,099,000	(24,582,000)	30,207,000
	<u>\$ 387,506,236</u>	<u>\$ 71,006,068</u>	<u>\$ (61,655,564)</u>	<u>\$ 396,856,740</u>
Business-type Activities	<u>\$ 11,514,956</u>	<u>\$ 35,095,000</u>	<u>\$ (19,815,095)</u>	<u>\$ 26,794,861</u>

Note H--Retirement Plans

Classified Employees

Classified employees (substantially all full-time Board employees other than certified employees) are covered by the County Employees Retirement Systems ("CERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, as well as death and disability benefits to Plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the State legislature.

Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2002

Note H--Retirement Plans--Continued

Plan members are required to contribute 5% of their annual covered compensation and the Board is required to contribute at an actuarially determined rate. The current rate is 6.41% of the employee's total covered compensation. The contribution requirements of Plan members and the Board are established and may be amended by the Kentucky Retirement System's Board of Trustees. The Board's contributions to CERS for the years ended June 30, 2002, 2001, and 2000 were \$8,629,000, \$8,807,000, and \$8,421,000, respectively, equal to the required contribution for that year.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

Certified Employees

Certified employees are covered by the Kentucky Teachers' Retirement System ("KTRS"), a cost-sharing multiple-employer defined benefit plan. KTRS provides retirement benefits, as well as death and disability benefits to Plan members. Cost of living increases are 1.5% annually.

Any benefit amendments must be authorized by the Kentucky State General Assembly.

Plan members are required to contribute 9.855% of their annual covered compensation, and the Commonwealth of Kentucky provides matching contributions as required by Kentucky Revised Statutes 165.540 and 161.550. The payments made by the Commonwealth of Kentucky on behalf of the Board's certified employees, amounting to \$43,075,865, are reflected in the accompanying financial statements as both revenue and expenditures. Effective July 1, 2002, the Commonwealth of Kentucky requires payments for federally funded employees to be made by such federal fund; for the fiscal year ending June 30, 2003, these amounts are expected to approximate \$4,600,000.

KTRS issues a publicly available financial report that includes financial statements and required supplementary information on the Plan. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Deferred Compensation

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The Board therefore does not show these assets and liabilities on its financial statements.

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2002

Note H--Retirement Plans--Continued

Post-Employment Health Care Benefits

Retired Board employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-fund on an actuarially determined basis through the CERS and the KTRS.

Retirement Plan

The Board makes available a 401(k) Deferred Contribution Pension Plan for all employees. Employees are allowed to contribute to the Plan up to the Internal Revenue Code maximum allowable amount of \$11,000. The Board does not contribute to the Plan.

Note I--Commitments

On June 30, 2002, the Board had outstanding commitments for construction approximating \$26,650,000.

Note J--Contingencies

The Board is subject to legal actions in various stages of litigation. Based on the advice of counsel, management of the Board does not anticipate that there will be any material effect on the financial position of the Board as a result of the litigation presently in progress.

In the normal course of operations, the Board receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the Board for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Board's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

Note K--Insurance and Related Activities

The Board is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicle accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance.

Required Supplementary Information

Statement of Receipts and Disbursements - Budget and Actual

Jefferson County Board of Education

Year Ended June 30, 2002

	General Fund			
	Working Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Beginning Fund Balance	\$ 66,675,714	\$ 66,675,714		\$ (66,675,714)
Local sources				
Property taxes	175,551,000	175,551,000	\$ 173,914,909	(1,636,091)
Occupational taxes	93,628,000	93,628,000	91,585,827	(2,042,173)
Other taxes	34,520,000	34,520,000	35,438,255	918,255
State sources				
SEEK program	202,900,000	202,900,000	196,686,441	(6,213,559)
Other state revenues	8,219,000	8,219,000	5,052,044	(3,166,956)
Interest	4,100,000	4,100,000	2,777,960	(1,322,040)
Other sources	2,927,000	2,927,000	5,331,654	2,404,654
Total Receipts	588,520,714	588,520,714	510,787,090	(77,733,624)
Disbursements				
Instruction	284,966,012	284,966,012	297,237,074	(12,271,062)
Student support services	20,058,796	20,058,796	21,145,858	(1,087,062)
Instructional staff support services	24,008,148	24,008,148	24,986,292	(978,144)
District administration support services	74,538,694	74,538,694	5,673,193	68,865,501
School administration support services	39,709,424	39,711,033	43,729,477	(4,018,444)
Business support services	8,830,686	8,830,686	10,437,557	(1,606,871)
Plant operations and maintenance	60,096,924	60,095,315	58,981,097	1,114,218
Student transportation	35,637,051	35,637,051	35,537,341	99,710
Central office support	38,933,212	38,933,212	18,300,359	20,632,853
Other instructional support services	620,053	620,053	632,427	(12,374)
Debt service	14,000	14,000	5,805	8,195
Building improvements	1,100,000	1,100,000	1,334,814	(234,814)
Total Disbursements	588,513,000	588,513,000	518,001,294	70,511,706
Receipts in Excess of (Less Than) Disbursements	\$ 7,714	\$ 7,714	\$ (7,214,204)	\$ (7,221,918)

**Reconciliation of Statement of Receipts and Disbursements - Budget and Actual
to the accompanying Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds**

Receipts less than Disbursements	\$ (7,214,204)
Net increase in Accounts Receivable	2,267,483
Net decrease in Due to/Due from Other Funds	(1,549,376)
Net increase in Accounts Payable	(274,674)
Excess of revenues over expenses in Workers' Compensation fund	713,072
Net Change in Fund Balance as shown on the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ (6,057,699)

See Notes to Financial Statements

Statement of Receipts and Disbursements - Budget and Actual

Jefferson County Board of Education

Year Ended June 30, 2002

	Special Activities Fund			Variance with Final Budget Positive (Negative)
	Working Budget	Final Budget	Actual	
Receipts				
Beginning Fund Balance	\$ 14,795,401	\$ 14,795,401		\$ (14,795,401)
Interest	675,000	675,000	\$ 243,548	(431,452)
Other sources	5,100,000	5,100,000	3,642,923	(1,457,077)
Total Receipts	20,570,401	20,570,401	3,886,471	(16,683,930)
Disbursements				
Instruction	1,504,000	1,504,000	3,362,844	(1,858,844)
Central office support	1,791,000	1,791,000	3,697,406	(1,906,406)
Total Disbursements	3,295,000	3,295,000	7,060,250	(3,765,250)
Receipts in Excess of (Less Than) Disbursements	<u>\$ 17,275,401</u>	<u>\$ 17,275,401</u>	<u>\$ (3,173,779)</u>	<u>\$ (20,449,180)</u>

**Reconciliation of Statement of Receipts and Disbursements - Budget and Actual
to the accompanying Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds**

Receipts less than Disbursements	\$ (3,173,779)
Net increase in Accounts Receivable	1,848,703
Net decrease in Due to/Due from Other Funds	<u>(17,922)</u>

**Net Change in Fund Balance as shown on the accompanying Statement of
Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds**

\$ (1,342,998)

See Notes to Financial Statements

Statement of Receipts and Disbursements - Budget and Actual

Jefferson County Board of Education

Year Ended June 30, 2002

Grants & Awards Fund				
	Working Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Beginning Fund Balance	\$ 15,856,556	\$ 15,856,556		\$ (15,856,556)
Grants	97,184,281	97,184,281	\$ 97,290,751	106,470
Interest			63,539	63,539
Total Receipts	113,040,837	113,040,837	97,354,290	(15,686,547)
Disbursements				
Instruction	65,301,858	73,402,395	67,699,817	5,702,578
Student support services	1,512,647	1,752,902	1,364,831	388,071
Instructional staff support services	18,324,111	21,467,066	18,009,328	3,457,738
District administration support services	85,222	635,401	67,157	568,244
School administration support services	40,447	40,309	35,309	5,000
Business support services	2,059,741	3,115,130	4,598,413	(1,483,283)
Plant operations and maintenance	367,146	107,464	8,431,947	(8,324,483)
Student transportation	1,672,126	2,281,636	2,401,472	(119,836)
Central office support	4,399,516	7,073,400	119,925	6,953,475
Food service	126,467	171,492	347,698	(176,206)
Building improvements			503	(503)
Total Disbursements	93,889,281	110,047,195	103,076,400	6,970,795
Receipts in Excess of (Less Than) Disbursements	<u>\$ 19,151,556</u>	<u>\$ 2,993,642</u>	<u>\$ (5,722,110)</u>	<u>\$ (8,715,752)</u>
Reconciliation of Statement of Receipts and Disbursements - Budget and Actual to the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds				
Receipts less than Disbursements			\$ (5,722,110)	
Net decrease in Accounts Receivable			(2,571,048)	
Net decrease in Due to/Due from Other Funds			(2,101,132)	
Net increase in Accounts Payable			(191,270)	
Net decrease in Deferred Revenue			4,849,104	
Net Change in Fund Balance as shown on the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			<u>\$ (5,736,456)</u>	

See Notes to Financial Statements

Statement of Receipts and Disbursements - Budget and Actual

Jefferson County Board of Education

Year Ended June 30, 2002

	Construction Fund			
	Working Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Receipts				
Beginning Fund Balance	\$ 30,440,791	\$ 30,440,791		\$ (30,440,791)
Interest	800,000	800,000	\$ 513,905	(286,095)
Issuance of bonds	49,000,000	49,000,000		(49,000,000)
Other sources			10,294,438	10,294,438
Total Receipts	80,240,791	80,240,791	10,808,343	(69,432,448)
Disbursements				
Building improvements	58,926,310	102,685,070	14,170,394	88,514,676
Total Disbursements	58,926,310	102,685,070	14,170,394	88,514,676
Receipts in Excess of (Less Than) Disbursements	<u>\$ 21,314,481</u>	<u>\$ (22,444,279)</u>	<u>\$ (3,362,051)</u>	<u>\$ 19,082,228</u>
Reconciliation of Statement of Receipts and Disbursements - Budget and Actual to the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds				
Receipts less than Disbursements			\$ (3,362,051)	
Loss on disposal of assets			(60,240)	
Net increase in Due to Other Funds			(832)	
Net increase in Accounts Payable			<u>(268,680)</u>	
Net Change in Fund Balance as shown on the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			<u>\$ (3,691,803)</u>	

See Notes to Financial Statements

Combining Balance Sheet - Nonmajor Governmental Funds

Jefferson County Board of Education

June 30, 2002

	Building Tax Fund	SEEK Capital Outlay Fund	Technology Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,663,486	\$ 2,190	\$ 3,358,428	\$ 5,024,104
Investments			3,854,919	3,854,919
Accounts and grants receivable from outside sources			861,010	861,010
Due from other funds	2,616,551		615,662	3,232,213
Total Assets	<u>\$ 4,280,037</u>	<u>\$ 2,190</u>	<u>\$ 8,690,019</u>	<u>\$ 12,972,246</u>
Liabilities				
Accounts payable and accrued liabilities due to outside sources	\$ 377,829		\$ 795,250	\$ 1,173,079
Due to other funds	1,449,979		2,210,694	3,660,673
Total Liabilities	1,827,808		3,005,944	4,833,752
Fund Balances				
Reserved for encumbrances	416,908		1,158,450	1,575,358
Unreserved	2,035,321	\$ 2,190	4,525,625	6,563,136
Total Fund Balances	<u>2,452,229</u>	<u>2,190</u>	<u>5,684,075</u>	<u>8,138,494</u>
Total Liabilities and Fund Balances	<u>\$ 4,280,037</u>	<u>\$ 2,190</u>	<u>\$ 8,690,019</u>	<u>\$ 12,972,246</u>

See Notes to Financial Statements

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds

Jefferson County Board of Education

Year Ended June 30, 2002

	Building Tax Fund	SEEK Capital Outlay Fund	Technology Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues					
Local sources					
Property taxes	\$ 19,245,488				\$ 19,245,488
Other taxes	1,891,081				1,891,081
State sources					
SEEK program		\$ 8,086,070			8,086,070
KETS allocation	28,794	-	\$ 1,722,020		1,750,814
Interest	92,698	24,572	139,159		256,429
Total Revenues	21,258,061	8,110,642	1,861,179		31,229,882
Expenditures					
Capital outlay	3,818,191		4,052,372		7,870,563
Debt service					
Principal				\$ 17,114,263	17,114,263
Interest				17,048,539	17,048,539
Revenues in Excess of (Less Than) Expenditures	17,439,870	8,110,642	(2,191,193)	(34,162,802)	(10,803,483)

Continued

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds--Continued

Jefferson County Board of Education

Year Ended June 30, 2002

	Building Tax Fund	SEEK Capital Outlay Fund	Technology Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Other Financing Sources (Uses)					
Operating transfers in	3,749,009			34,806,472	38,555,481
Operating transfers out	<u>(23,771,960)</u>	<u>(8,110,031)</u>		<u>(643,670)</u>	<u>(32,525,661)</u>
Total Other Financing Sources (Uses)	<u>(20,022,951)</u>	<u>(8,110,031)</u>		<u>34,162,802</u>	<u>6,029,820</u>
Net Change in Fund Balances	(2,583,081)	611	(2,191,193)		(4,773,663)
Fund Balances, Beginning of Year	<u>5,035,310</u>	<u>1,579</u>	<u>7,875,268</u>		<u>12,912,157</u>
Fund Balances, End of Year	<u>\$ 2,452,229</u>	<u>\$ 2,190</u>	<u>\$ 5,684,075</u>	<u>\$ -</u>	<u>\$ 8,138,494</u>

See Notes to Financial Statements

Combining Statement of Net Assets - Fiduciary Funds and Statement of Changes in Net Assets - Fiduciary Funds

Jefferson County Board of Education

June 30, 2002

	Trust Funds			Agency Funds				
	Russell Riggs Trust Fund	Katherine S. Avellar Trust Fund	Total Trust Funds	High School Activity Fund	Middle School Activity Fund	Elementary School Activity Fund	Other Agency Funds	Total Agency Funds
Assets								
Cash and cash equivalents	\$ 1,246	\$ 103,945	\$ 105,191	\$ 3,674,044	\$ 1,049,624	\$ 1,245,312	\$ 390,586	\$ 6,359,566
Investments							57,227	57,227
Accounts and grants receivable from outside sources		5,750	5,750	784	40,200	12,076		53,060
Inventory				190,098	85,897	163,901		439,896
Due from other funds				216,428	91,218	122,764	2,187	432,597
Total Assets	<u>1,246</u>	<u>109,695</u>	<u>110,941</u>	<u>\$ 4,081,354</u>	<u>\$ 1,266,939</u>	<u>\$ 1,544,053</u>	<u>\$ 450,000</u>	<u>\$ 7,342,346</u>
Liabilities								
Accounts payable and accrued liabilities								
liabilities due to outside sources				\$ 365,234	\$ 155,256	\$ 44,353	\$ 3,913	\$ 568,756
Due to other funds				78,961	8,301	16,671	23,727	127,660
Due to student groups				3,637,159	1,103,382	1,483,029	422,360	6,645,930
Total Liabilities				<u>\$ 4,081,354</u>	<u>\$ 1,266,939</u>	<u>\$ 1,544,053</u>	<u>\$ 450,000</u>	<u>\$ 7,342,346</u>
Net Assets								
Held in trust for private purpose	1,246	109,695	110,941					
Total Net Assets	<u>\$ 1,246</u>	<u>\$ 109,695</u>	<u>\$ 110,941</u>					
Statement of Changes in Fiduciary Net Assets - Trust Funds								
Additions								
Trustee contributions		\$ 37,771	\$ 37,771					
Interest	\$ 9	1,478	1,487					
Deductions								
Student support services		23,727	23,727					
Net increase	9	15,522	15,531					
Net Assets, Beginning of Year	1,237	94,173	95,410					
Net Assets, End of Year	<u>\$ 1,246</u>	<u>\$ 109,695</u>	<u>\$ 110,941</u>					

See Notes to Financial Statements